



SEC

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Securities and Exchange Commission
Trading and Markets

MAR 04 2019

ANNUAL AUDITED REPORT
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PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/2018 AND ENDING 12/31/2018
MM/DD/YYYY MM/DD/YYYY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CGS-CIMB Securities (USA), Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM ID. NO.

7 Times Square, Suite 1605

(No. and Street)

New York

NY

10036

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

CohnReznick, LLP

(Name -- if individual, state last, first, middle name)

4 Becker Farm Road

Roseland

NJ

07068

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☐ Certified Public Accountant
☒ Public Accountant
☐ Accountant not resident in United States or any of its possessions

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

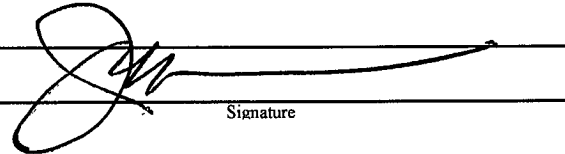
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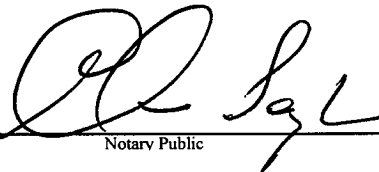
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OATH OR AFFIRMATION

I, Jose Lanuza, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CGS-CIMB Securities (USA), Inc., as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Chief Executive Officer
Title


Notary Public

CLAUDIA TAYLOR
NOTARY PUBLIC, State of New York
No. 01TA5068172
Qualified in Kings County
Commission Expires 10/28/ 2022

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) Exemption report

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CGS-CIMB Securities (USA), INC.

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As of December 31, 2018

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Report of Independent Registered Public Accounting Firm

To the Board of Directors
of CGS-CIMB Securities (USA), Inc.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of CGS-CIMB Securities (USA), Inc. as of December 31, 2018, and the related notes (collectively referred to as the "financial statement"). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of CGS-CIMB Securities (USA), Inc. as of December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of CGS-CIMB Securities (USA), Inc.'s management. Our responsibility is to express an opinion on CGS-CIMB Securities (USA), Inc.'s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to CGS-CIMB Securities (USA), Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as CGS-CIMB Securities (USA), Inc.'s auditor since 2014.

CohnReznick LLP

Roseland, New Jersey
February 27, 2019

CGS-CIMB Securities (USA), INC.
Statement of Financial Condition
As of December 31, 2018

Assets

Cash and cash equivalents	\$ 1,813,893
Receivable from broker, including \$200,000 clearing deposit	1,316,537
Commissions receivable, affiliates	258,343
Property and equipment, net	101,986
Prepaid expenses and other assets	416,785
Total	<u>\$ 3,907,544</u>

Liabilities and Stockholder's Equity

Accounts payable and accrued expenses	\$ 104,458
Deferred rent	54,922
Due to affiliates	1,825,539
Total	<u>1,984,919</u>

Liabilities subordinated to claims of general creditors	<u>1,700,000</u>
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Stockholder's Equity

Preferred stock, \$1 par value, 100,000 shares authorized; none issued and outstanding	-
Common stock, \$1 par value, 5,000,000 shares authorized; 4,560,000 shares issued and outstanding	4,560,000
Additional paid-in capital	8,023,803
Accumulated deficit	(12,361,178)
Total stockholder's equity	<u>222,625</u>
Total Liabilities and Stockholder's Equity	<u>\$ 3,907,544</u>

The accompanying notes are an integral part of the statement of financial condition.

CGS-CIMB Securities (USA), INC.
Notes to the Statement of Financial Condition
As of December 31, 2018

1. Nature of business and summary of significant accounting policies

Nature of Business

CGS-CIMB Securities (USA), Inc. (the "Company") was formed in Delaware on March 28, 1996 to become a registered broker-dealer in the United States ("U.S."). In May 2007, the Company received approval to become a broker-dealer and as such is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority Inc. ("FINRA"). On February 6, 2018, FINRA granted the continuing membership application of CIMB Securities (USA), Inc., (the "Firm") with regard to a change in ownership as a result of China Galaxy International Financial Holdings Limited ("CGI") purchase of 50 % stake in the Firm's sole direct owner, CIMB Securities International Pte. Ltd. from CIMB Group Sdn Bhd. As a result of the ownership changes at the Parent level, the Company changed its name to CGS-CIMB Securities (USA), Inc., effective February 13, 2018. In addition, the Parent changed its name to CGS-CIMB Securities International Pte. Ltd. The Company is a wholly-owned subsidiary of CGS-CIMB Securities International Pte. Ltd. (the "Parent"). The Company operations consist primarily of engaging in institutional brokerage that is in the business of affecting U.S. institutions in Asian regional equity markets.

The Company solicits and accepts orders from its customers for the purchase and sale of foreign securities, primarily Southeast Asian securities, with such transitions being executed by the affiliates. The clearance and settlement of the trades occur through a direct transfer of funds and securities between the Company's customers and the affiliate's clearing broker. Accordingly, the Company is exempt from registration for foreign broker-dealers transacting foreign securities in the U.S. with U.S. customers pursuant to the provisions of Rule 15a-6(a)(3).

Management has been assured by its Parent that they will continue to provide financial support for the continuing operations of the Company through February 28, 2020 to enable it to meet net capital requirements and financial obligations.

Basis of Presentation

The financial statement has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

This financial statement was approved by management through the date of the financial statement.

Cash and Cash Equivalents

The Company considers money market accounts to be cash equivalents.

Valuation of Investments in Securities at Fair Value – Definition and Hierarchy

In accordance with GAAP, fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

CGS-CIMB Securities (USA), INC.
Notes to the Statement of Financial Condition
As of December 31, 2018

1. Nature of business and summary of significant accounting policies (continued)

Valuation of Investments in Securities at Fair Value – Definition and Hierarchy (continued)

In determining fair value, the Company uses various valuation approaches. In accordance with GAAP fair value hierarchy, inputs used in measuring fair value maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

As of December 31, 2018, financial instruments owned by the Company consist of cash and cash equivalents. No Level 1, Level 2 or Level 3 financial instruments were owned by the Company as of December 31, 2018.

CGS-CIMB Securities (USA), INC.
Notes to the Statement of Financial Condition
As of December 31, 2018

1. Nature of business and summary of significant accounting policies (continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Company provides for depreciation as follows:

Asset	Useful Life	Estimated Principal Method
Furniture and fixtures	7 years	Straight-line
Computers	3 years	Straight-line

Income Taxes

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed as the difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense.

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more-likely-than-not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously taken could result in the Company recording a tax liability that would reduce stockholder's equity. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. The Company files its income tax returns in the U.S. federal and various state and local jurisdictions. Generally, the Company is no longer subject to income tax examinations by major taxing authorities for years before 2015. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next 12 months. Management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. Management is unaware of any uncertain tax positions.

CGS-CIMB Securities (USA), INC.
Notes to the Statement of Financial Condition
As of December 31, 2018

1. Nature of business and summary of significant accounting policies (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

The Company's reporting currency is the U.S. dollar. Although the Company maintains a cash account with a foreign bank, its expenditures to date have been and are expected to continue to be denominated in U.S. dollars. Accordingly, the Company has designated its functional currency as the U.S. dollar.

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates.

Commissions Receivable, Affiliates

The Company carries its commissions receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its commissions receivable and establishes an allowance for doubtful accounts, if necessary, based on a history of past bad debts and collections and current credit conditions. Accounts are written off as uncollectible on a case-by-case basis. For the year ended December 31, 2018, there were no commission receivables written off. There are no allowances at the end of the year.

Recent Pronouncements – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right of use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2018, with early adoption permitted. The Company will make appropriate changes to its financial statements and related disclosures starting January 1, 2019.

2. Property and equipment

Details of property and equipment at December 31, 2018 are as follows:

Furniture and fixtures	\$ 99,881
Computers	<u>30,514</u>
	130,395
Less accumulated depreciation	<u>(28,409)</u>
	<u>\$ 101,986</u>

The Company wrote off fully depreciated property and equipment of approximately \$533,000 during 2018. No gain or loss was recognized upon disposal.

CGS-CIMB Securities (USA), INC.
Notes to the Statement of Financial Condition
As of December 31, 2018

3. Liabilities subordinated to claims of general creditors

At December 31, 2018, the Company had a subordinated loan with its Parent which was in accordance with an agreement approved by FINRA. The subordinated loan in the amount of \$1,700,000 was scheduled to mature on February 28, 2019. This subordinated loan was amended, after approval from FINRA, extending the maturity date to February 28, 2022. The subordinated loan bears interest at 4.5% per annum. Interest payable of \$232,900 is included in due to affiliates as of December 31, 2018.

4. Net capital requirement

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1. Rule 15c3-1 requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2018, the Company's net capital was approximately \$1,146,000, which was approximately \$896,000 in excess of its minimum requirement of \$250,000.

5. Related party transactions

The Company enters into certain transactions and service arrangements with affiliates, some of which are subject to service level agreements. All of these affiliates, which include offshore broker dealers and banking institutions, are beneficially owned by the Parent. Some of these transactions are denominated in foreign currencies.

Commissions Receivable, Affiliates

The Company introduces most of its securities transactions to various related parties who act as clearing brokers in the designated markets. As part of the commissions receivable balance, affiliates represents commissions of approximately \$245,000 due to the Company as a result of these transactions.

Due to Affiliates

The Company has amounts of approximately \$1,426,000 due to its affiliates related to the transfer pricing update. Approximately \$400,000 is due to its affiliates for other arrangements as of December 31, 2018, which includes accrued interest of approximately \$232,900.

6. Receivable from broker

The Company clears securities transactions through related parties and has a clearing agreement with Goldman Sachs Execution and Clearing, L.P.

CGS-CIMB Securities (USA), INC.
Notes to the Statement of Financial Condition
As of December 31, 2018

7. Income taxes

At December 31, 2018, the Company has a federal net operating loss carryforward ("NOL") of approximately \$2,295,000 incurred in 2018 which will be carried forward indefinitely and approximately \$9,026,000 of pre-2018 Federal NOL which will expire in 2038. There is approximately \$3,818,000 of pre-2015 New York State and New York City NOL which will expire in 2024 and approximately \$7,753,000 of NOL for various states and New York City expiring in 2038. The NOL creates a cumulative deferred tax asset of approximately \$2,583,000 as of December 31, 2018. The Company also recorded a valuation allowance of \$2,583,000 due to the uncertainty of realizing the future tax benefit. The calculation of the deferred tax asset and the related valuation allowance has been adjusted for the new corporate tax rates. The valuation allowance increased from \$2,123,000 at December 31, 2017 to \$2,583,000 at December 31, 2018.

8. Concentrations of credit risk

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company maintains its cash balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

9. Exemption from Rule 15c3-3

The Company is exempt from SEC Rule 15c3-3 pursuant to exemptive provisions under sub-paragraph k(2)(i) and k(2)(ii) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

10. Commitments

The Company entered into a new lease for its primary office space in February 2018. The Company has a security deposit of \$140,793 required under this lease, which is included in the accompanying statement of financial condition in prepaid expenses and other assets as of December 31, 2018. Approximate minimum annual payments, including utilities, under this operating lease agreement are as follows:

Year Ending December 31,	
2019	243,000
2020	246,000
2021	249,000
2022	252,000
2023	84,000
	<u>\$ 1,074,000</u>

11. Subsequent events

The Company has evaluated subsequent events through February 27, 2019, which is the date these financial statements were issued. There are no subsequent events which require disclosure in the notes to the financial statement.